
UNOBLIGATED TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT FUNDS

FINDING: Since its implementation in 1997, welfare reform has caused a significant decline in the number of recipients and the resources devoted to cash assistance. Consequently, a large balance of unused funds has accumulated. This unobligated balance, combined with the flexibility of the block grant structure, make TANF funds a significant source of revenue to support programs aimed at the needy in a time when state general funds are constrained.

Although best known for its affect on the old Aid to Families with Dependent Children (AFDC) program, welfare reform changed the direction of U.S. social policy in many other areas. The enactment of the Personal Responsibility and Work Opportunity Act of 1996 transformed public assistance, as well as child support enforcement, child care, food stamps, and disability benefits for children. This section, however, will examine the Temporary Assistance to Needy Families (TANF) block grant, which replaced the AFDC cash assistance program or what is commonly called “welfare.” (*See Appendix pp. 51-52*).

Each state is allowed significant latitude in designing their welfare programs. Louisiana’s version of the federal public assistance program, called FITAP (Family Independence Temporary Assistance Program), provides time-limited cash grants to needy families. The work component of the program, Family Independence Work Program (FINW) provides job preparation, work and support services. Both are administered by the Department of Social Services (DSS).

The welfare reform law of 1996 gives state legislatures unprecedented authority to decide how to appropriate or use this federal block grant. This authority allows the Louisiana State Legislature to appropriate all or a portion of the block grant and associated state funds to any department of state government for any purpose as long as it fulfills one of the four TANF goals listed below.

TANF Purposes:

- Provide assistance to needy families
- End the dependence of needy parents by promoting job preparation, work and marriage
- Prevent and reduce out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two-parent families.

The state also has the option of creating “non-assistance” programs. These programs are different from those that fit the definition of “assistance”, that is programs that provide for ongoing basic needs. “Non-assistance” programs are not subject to the spending

limitations and requirements—including work, time limits, child support assignment, and data reporting—that apply to assistance programs.

Both the federal government and the state of Louisiana share the cost of providing welfare to the poor. In LA, the basic yearly federal grant to the state is over \$164 million and is based on 1994 caseloads. Louisiana also has received a supplemental grant ranging between \$13 and \$17 million each year and has received incentive grants in the past. (The supplemental grant is set to expire at the end of FY 01) The state's FY 2000 grant totaled over \$180 million. In addition to the federal TANF funds, the state must meet a "maintenance-of-effort" (MOE) requirement of approximately \$55 million in State General Fund per year.

With the approach of reauthorization in 2002, the structure of the TANF block grant as well as funding levels and state performance will be examined. During the anticipated reauthorization debates, the issue of large balances of unobligated TANF funds will be closely scrutinized, and changes are certain to affect the funding levels of states such as Louisiana that have large balances. As of December 31, 2000, Louisiana had substantial 1999 and 2000 unobligated block grant funds available. For the 1999 grant the balance was over \$54 million, and for the 2000 grant the unobligated balance was over \$107 million, bringing the total balance to approximately \$161.6 million (worth nearly one year's basic grant).

It is clear that the State has an opportunity to address the pressing needs of many segments of the state's population with TANF funds. This can be done in a way that both maximizes existing revenues and that minimizes the risks of creating recurring obligations that may not have sufficient funding after reauthorization. The challenge facing the state during the upcoming legislative session is twofold. First, the legislature must assess the needs that still exist in the TANF recipient population, the population of ex-recipients, and others who would qualify for services. Second, specific priorities should be set that target specific needs. Once a plan is formulated and implemented, regular performance evaluations should be conducted to determine the effectiveness of these TANF-funded programs and whether they should be continued.

The following are options for the use of unobligated TANF funds and propose ways to help the state increase its usage of the yearly TANF block grant.

OPTION 1: Require that unobligated TANF funds be spent on cash assistance before any state Maintenance of Effort (MOE) dollars or new TANF block grant funds are used for this purpose.

Description And Background: Federal regulations require that TANF funds that are not spent in the first year they are awarded will be designated as unobligated. These unobligated funds can ONLY be spent on cash assistance. As of December 31, 2000 there was approximately \$162 million unobligated. Yet even with this significant resource that can only be spent on cash assistance, the state of Louisiana continues to use the required

state Maintenance of Effort (MOE) funds to pay for some cash assistance (nearly \$11 million as of September 30).

This practice is problematic for two reasons. First, the state has a significant amount of flexibility in the way it can use state funds, when compared to the flexibility afforded by the federal TANF funds. By using state funds to pay for cash assistance, the state loses this flexibility and therefore cannot create more innovative programs to address the needs of welfare recipients, ex-recipients and the working poor. Second, by not using unobligated funds to pay for all cash assistance needs, the state continues to let the large balance grow.

Estimated Fiscal Impact: State general funds required in the program would not increase, however, the categories on which they are expended would be different. State Maintenance Of Effort (MOE) dollars totaling \$55 million MUST be spent every year in order receive the full TANF block grant. One reason the state is continuing to use MOE dollars on cash assistance is because there is a dearth of other programs on which to spend state monies. By disallowing the use of state funds to pay cash assistance, the legislature would encourage the development and implementation of more programs to address the many needs of potential beneficiaries.

Action Required To Implement: At a minimum, the state should promulgate rules. Modification of the state TANF plan, amendment of the preamble of the Department of Social Services section in the General Appropriations Bill or statutory revision may also be considered.

OPTION 2: Increase the education level of recipients, ex-recipients, and the working poor such as noncustodial parents; and provide job retention and advancement services

Background And Description: *(For more detailed information see Appendix, pp. 45-48)*

Studies conducted across the nation have shown that about ¼ of recipients who have left welfare due to employment lose their jobs within three months, and at least half are no longer working within one year. The problem of job retention and low wage jobs is not limited to the welfare population, which totaled 26,405 cases in December 2000. Income statistics show that 19% of Louisiana's working parents are considered "working poor" (below 150% of the federal poverty limit). In addition, 7% of workers and 18% of the total population live in poverty. Moreover, 38% of the population 16 and older are not in the labor force. (LA Workforce Commission) While there are many underlying causes that contribute to these statistics, one of the major problems is educational attainment.

The National Center for Education Statistics reported in its literacy survey that individuals demonstrating higher levels of literacy were more likely to be employed, work more weeks in a year, and earn higher wages than individuals demonstrating lower proficiencies. In 1996, 28% of Louisiana adults were functionally illiterate.

These statistics reveal the need for expanded basic skills training and job retention and advancement services for both ex-recipients of welfare and the working poor. Training in adult literacy, GED test preparation, and job preparation is crucial to ensure that adults who lack basic skills can benefit from the occupational skills training currently provided in the state.

Nearly 70,000 individuals receive some level of basic skills training through a number of departments and programs. However, since the total population of adults aged 18-64 without a high school diploma approaches 525,000, there is still a significant need for additional services.

There are a number of options that can be used to expand services. Two departments have been identified that provide this service to the general population of adults without high school diplomas—the Department of Education and the Department of Labor. The state may opt to transfer some TANF dollars directly to one or both of these departments for the expansion of existing basic education and skills training to adults aged 18 through 64 who have children and who have not completed high school. An alternative approach, which could potentially assure more coordination and a focus on performance outcomes, would be to transfer funds to an entity such as the LA Workforce Commission.

Estimated Fiscal Impact: No additional state revenues required. More Federal TANF funds will be spent in the year they are awarded, causing the balance to decrease.

Action Required To Implement: May just require a legislative appropriation accompanied by an interagency transfer and agreement, or a contract. The state may also choose to make statutory changes.

OPTION 3: Help specific populations attain better paying jobs by providing post-employment and job retention services, or advanced skills training. One area of focus is incarcerated noncustodial parents nearing release.

Background And Description: *(For more detailed information see Appendix p. 49)*

There are many reasons that justify a focus in this area. Studies have shown that non-custodial fathers are poorer, have lower educational and skills levels, and are more likely to be incarcerated and unemployed.

In Louisiana, 36,000 persons are incarcerated in state and local prisons. The Department of Corrections (DOC) has a number of effective programs that improve the ability of inmates to find jobs once they are released. One such program is the Job Skills Education Program (JSEP), a computer-based, three-component learning system developed by the U.S. Army. The recidivism rate was 14.2% for the 436 FY 99 parolees who completed the program and were released, compared to 31.1% for non-JSEP parolees. This low recidivism rate has generated a savings of over \$1 million in the incarceration budget.

Currently the program can be expanded to 4 additional correctional facilities at an initial start-up cost of \$288,390 each. Recurring costs for the program include salaries, supplies

and computer maintenance totaling approximately \$135,000 per facility. TANF federal or State MOE funds could be used to pay for the nonrecurring expenses associated with the acquisition of supplies and computers in the first year of the expansion. The DOC, which is committed to this innovative program, can be required to pay for the recurring costs.

Another program is Project Metamorphosis, a 3-year federal grant aimed at reducing recidivism through higher post-release employment and wage rates and increased vocational, cognitive and employability skills. DOC estimates that decreased recidivism would generate approximately \$900,000 in savings to the correctional system. However, since the federal grant will end in Spring 2001, the program will be discontinued if state funding is not appropriated to support salaries and supplies. The average annual cost is \$380,000.

Estimated Fiscal Impact: The Corrections budget would see savings of approximately \$2 million. No additional state revenues required. More Federal TANF funds will be spent in the year they are awarded, causing the balance to decrease.

Action Required To Implement: Legislative appropriation accompanied by an interagency transfer and agreement, or a contract.

OPTION 4: Enhancing the ability of certain poor populations to accumulate savings through the use of Individual Development Accounts

Background And Description: *(For more detailed information see Appendix p. 50)*

Individual Development Accounts (IDAs), similar to Individual Retirement Accounts (IRAs), are one innovative policy tool that enables low-income families to build assets and achieve greater economic prosperity and financial stability. Use of the savings accrued in IDAs is restricted to post-secondary education and training, business capitalization, and home ownership. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) authorizes states to create community-based IDA programs with TANF block grant funds and to disregard all money saved in IDAs in determining eligibility for all means-tested government assistance. All deposits into the IDAs are limited to earned income.

Estimated Fiscal Impact: No additional state revenues required. More Federal TANF funds will be spent in the year they are awarded, causing the balance to decrease.

Action Required To Implement: The State can promulgate rules to implement the program. This should be accompanied with a legislative appropriation as well as an interagency transfer and agreement, or a contract. Statute should be modified to remove the prohibition against using TANF funds for IDAs.

OPTION 5: Use TANF/MOE funds to expand the Drug Court program by \$2 million in order to promote work and job preparation and reduce the incidence of out-of-wedlock births.

Description And Background: Drug Courts are special courts given the responsibility to handle cases involving less serious drug-using offenders through a supervision and treatment program. These programs include frequent drug testing, judicial and probation supervision, drug counseling, treatment, educational opportunities, and the use of sanctions and incentives. According to a national survey by the Department of Justice, 70 percent of all drug court participants have either finished the program or stayed in treatment; 90 percent of drug tests have been clean; and only 4% of graduates recidivate, compared to "well over 50 percent" of defendants who go through the "traditional adjudication process."

Louisiana presently has 14 active adult drug courts and 11 juvenile drug courts. With all sources of funding, drug courts have the treatment capacity to serve 1,339 adults and 445 juveniles (1,784 total). DHH Office of Addictive Disorders reports that some 2,266 persons have been admitted to Louisiana's drug court system this year. Of that number, 178 have successfully completed the program and 1,471 remain in active status. Seventy-five percent of the successful participants are gainfully employed; 33% have obtained either their GED or high school diploma. While national retention rates are 70%, Louisiana reports a rate of 74%. Statistics on the adult program show that the vast majority of participants are poor, are of childbearing age, and many have children. Therefore, expanding this program would fulfill at least two of the TANF purposes.

Estimated Fiscal Impact: It has been demonstrated that drug courts reduce the cost of adjudicating low level drug offenders. Substantial benefits include reduced recidivism and fewer days of incarceration, shorter supervision periods, increased employment and higher levels of social functioning, all generating significant long-term savings to taxpayers. The average cost of incarcerating adult offenders in state correctional facilities or local jails for F 01-02 is projected to be \$12,300 per year, (juvenile incarceration costs are \$46,700 per year). The cost of an adult drug court slot is \$3,600 for a two-year treatment program (\$5,000 for juveniles). The existing 1,784 drug court slots currently cost the state approximately \$7 million annually. Providing an additional \$2 million in funding for adult and juvenile drug court slots could save the state \$24 million in incarceration costs over the next two years.

Action Required To Implement: At a minimum a legislative appropriation is needed accompanied by an interagency transfer and agreement, or a contract. The legislature may also make statutory provisions.

OPTION 6: Segregate or separate state MOE funds to provide assistance to recipients who are currently taking advantage of the "earned income disregard."

Description And Background: The state currently can disregard up to \$900/month of earned income for welfare recipients for up to 6 months. During this period, recipients are not subject the 24-month state time limit, but they are subject to the 60-month federal time limit. Louisiana statute however, states: "The department *shall take any available steps* that would not require additional state expenditures to keep these six months of

assistance from counting against the sixty-month lifetime limit on receiving TANF assistance.” (R.S. 46:460.5 (A)(3))

Louisiana’s TANF State Plan indicates that it commingles all state and federal funds and does not currently segregate or separate any state MOE funds for any purpose. Since the state currently commingles federal and state dollars in the program, recipients of assistance during the period of the income disregard are still subject to the federal time limit.

A simple solution would be to segregate or separate state funds for this purpose. If this were done, any assistance program funded with these dollars would not be subject to the federal time limits. Moreover, separating or segregating state MOE dollars would not require additional state expenditures.

Estimated Fiscal Impact: None

Action Required To Implement: Modify the accounting system of cost centers to track these funds in order to be able to document the expenditures.

OPTION 7: Reexamine the state policy to commingle state MOE dollars with federal TANF funds. Segregate or separate a portion of the state MOE funds in order to increase spending flexibility. Assess the needs of Louisiana’s poor populations. Investigate programs that have been developed in other states in order to identify ways to address these needs using the increased flexibility and the ability to design non-assistance programs with TANF funds.

Description And Background: The TANF Maintenance of Effort (MOE) requirement compels the state to spend a specified amount of state funds (75-80% of 1994 spending levels) every year in order to receive the annual federal block grant. Louisiana is required to pay approximately \$55 million or 75% since it meets required work participation rates. State MOE may only be used on *needy* families, as defined by the state plan, which can designate differing levels of need based on varying income levels.

The state may spend its required MOE in three different ways: through commingling it with federal funds; segregating the MOE; or creating separate state programs. Separate state programs allow the most flexibility since they are not subject to any of the TANF restrictions, time limits or requirements.

The state of Louisiana currently commingles all of its MOE dollars with its federal TANF funds. The Department of Social Services has voiced concern that the 2-year state-imposed time limit as well as the 5-year federal time limit restrict the state’s ability to provide both assistance and extensive educational services to recipients of the cash assistance. However, the state can use some of its MOE dollars to create a separate state cash assistance program for people who need a longer educational training program. Such a program would not be subject to the 2-year or 5-year time limits.

“Non-assistance” programs developed using TANF funds are also not subject to time limits and other restrictions associated with “assistance” programs.

States across the nation have implemented a number of innovative “non-assistance” programs that address many areas of need. The state should investigate the feasibility of implementing similar programs in Louisiana. Some examples include:

- High performance bonus awards to provide employee incentive bonuses
- Business and entrepreneurial education/training in rural communities
- Programs for women who are in prison for non-violent crimes and their children
- Prepaid tuition fund or vouchers
- School-based health services
- Relative caregiver program
- Microenterprise development that helps low-income people attain self-sufficiency by developing their own businesses
- Adult basic education and ESL services for immigrant populations
- Transitional housing vouchers
- Temporary housing assistance for homeless families
- Non-medical substance abuse treatment
- After school services for at-risk children
- Boys and Girls clubs
- Job retention and follow-up services for former TANF recipients
- Family preservation services
- School readiness centers and child literacy centers

Estimated Fiscal Impact: No additional state revenues required. More Federal TANF funds will be spent in the year they are awarded, causing the balance to decrease.

Action Required To Implement: At a minimum the state plan should be modified to express this policy goal, or the department may promulgate rules. The legislature may also make statutory provisions.

OPTION 8: Reexamine the definition of an “eligible family” as set in the state TANF plan. Set varying levels of eligibility to increase the number of people who can be served by different TANF- and MOE-funded programs.

Description And Background: In order for the department to create new non-assistance programs that benefit persons that are not currently receiving cash assistance, the state must broaden its eligibility criteria. This can be done on a program-by-program basis or the state can develop a number of differing eligibility categories before programs are created.

Estimated Fiscal Impact: No additional state revenues required. More Federal TANF funds will be spent in the year they are awarded, causing the balance to decrease.

Action Required To Implement: At a minimum the state plan should be modified to express this policy goal, or the department may promulgate rules. The legislature may also make statutory provisions or pass a resolution.

OPTION 9: Increase legislative oversight of TANF block grant and child care block grant spending by requiring the submission of the federal quarterly ACF-196 and ACF 696 reports and other reports to the appropriate legislative agencies, committees and their staffs.

Description And Background: As the legislature has a significant interest in monitoring the expenditure of TANF block funds, this reporting is essential. It ensures that all relevant parties have the same information regarding the size of the unobligated balance and the categories or which TANF and MOE dollars are being spent.

Estimated Fiscal Impact: None

Action Required To Implement: Resolution or informal request from the legislature; language in the General Appropriations Bill can be added as well.